



June 30, 2010

Dear citizens of Sandy:

Transmitted herewith is the approved budget for FY 2010-11. Coming on the heels of two consecutive years of declining revenue, the economic downturn has forced us to retrench; but we can report that Sandy City is in an excellent position to move forward as we begin to anticipate emerging from recession.

General fund revenue has slumped 9.5% from a high of \$48,683,368 in FY 2007-08 to an estimated \$44,082,672 in FY 2009-10. Declining revenue has presented significant challenges in our efforts to maintain quality services. We were able to do so by first, cutting expenditures in every department. Second, we have tapped into revenue sources that we had hoped to use for two new community centers. Third, we have benefited from having a talented and dedicated workforce that has been able to do more with less. For FY 2010-11, we project that the decline in revenue will flatten out and actually grow by a modest 1.9%.

The assertion that we have maintained quality services was verified in the most recent citizen survey conducted by Dan Jones and Associates in December 2009. The survey asks citizens to rate city services in 29 areas. In 19 of these 29 areas, residents gave the city the highest satisfaction scores ever in the 14 years the city has completed the survey.

Though satisfied, those of you surveyed also indicated shifting priorities from a year or two ago. When asked what they deemed the most important issue facing Sandy City today, citizens responded taxes, budget issues, and economic problems in numbers dramatically higher than two years prior. You appear to be concerned about the same issues that we are as your city government.

While dealing with economic realities has slowed the progress we were making on the city's goals, progress hasn't stopped. The following highlights ways that this budget advances the city's goals and ways that we have prepared to seize opportunities as the recovery broadens.

Maintain and Improve Basic Core Municipal Services – Due to decreasing revenue, we have had to eliminate or leave positions vacant. However, with the help of our dedicated employees, we have done a good job of maintaining core services. This budget includes some items that help shore up this effort. First, we have added some additional

funding for the justice court. This money will help both with the increasing number of cases with court appointed counsel and with the increasing cost of credit card processing fees.

We are also providing some funding for the self-contained breathing apparatuses that our firefighters use. More funding will be needed in future years to replace old equipment.

We will be using some cell tower lease revenue to hire additional seasonal help for park maintenance. The addition of three parks in the past couple of years has created a need for more maintenance staff. The cell tower at Flat Iron Park is located at a water tank. The Public Utilities Department has been receiving the revenue but because the tank is located on park property we are transferring the revenue to the Parks Department. A cell tower at the former Public Utilities building on 94th South will be relocated across the street at the amphitheater. Future lease revenue from this cell tower will then go the amphitheater to help pay to operate and improve the facility.

Preserve and Improve Public Infrastructure and Transportation Systems – We have been fortunate to be able to leverage city dollars with state and federal money to address our transportation needs. Major projects continue on 13th East and 7th East to widen and improve these major arterials. We are also nearing completion of a new freeway on and off ramp at 114th South. We are setting aside some money to use as a match for a federal grant to improve 106th South east of 13th East. We have also budgeted for Sandy's portion of the improvements of the railroad crossing for FrontRunner at 100th South. Additionally we are funding various street maintenance projects, slurry seal projects, and safety sidewalk projects as we normally do.

The Public Utilities budget will also address infrastructure needs. Projects for the water utility include partial funding to replace the Pepperwood Tank, a new well on the Small Canyon property, meter replacement, well equipment replacement and water line replacement. These projects are part of the master plan and will be done without a rate increase. The storm water budget includes various neighborhood projects. The storm water fee will increase \$0.35 per month to fund operations, capital, and debt service. This increase is the first since the fee was introduced.

Recreational Opportunities – Over the past few years we have added events to help increase the sense of place and pride in Sandy. We feel that both the balloon festival and the heritage festival have been successful to that end. Further, both have provided free recreational activities for our residents during a time that many have been going through financially hard times. This budget includes funding to purchase the equipment and to staff "Movies in the Park." These movies would be held on 7 separate nights throughout the summer and at a different park each time. By implementing this program, we feel that we offer a fun opportunity for families to have a free night out and to get together with their neighbors. Funding for the equipment will come from the Community Events fund and the Arts Guild fund balance. The equipment will also be useful for productions at the Sandy Amphitheater.

Develop and Maintain Community Facilities – The economic downturn has delayed our efforts to expand and remodel two community centers. Revenue streams that we originally set aside for this purpose have been diverted to replace dwindling funds for core services. We anticipated that this might be the case and are grateful that our approach was able to help cushion the economic impact. We will need to readdress these centers and formulate a new plan in light of the new economic realities.

This budget does include funding to finish remodeling the pavilion at Bicentennial Park. We also are setting aside some money to fund the capital plan for maintaining city facilities. We have been able to use this funding to keep our facilities in excellent condition. For example, we still have people that come to City Hall complimentary of our new building and being surprised to learn that it is nearly 17 years old.

Preserve and Expand Existing Businesses/Seek New Clean Commercial Business – The future of Sandy will be largely determined by how well we manage and encourage the right development. Particularly important will be those projects that become an important part of our economic engine. Our efforts over the next budget year will be focused on four such projects. One is the Meridian project on Centennial Parkway just south and west of City Hall. This project could eventually include nearly 1.3 million square feet of office, retail, hotel, and residential uses. It could also be the new home for the Living Planet Aquarium. The second is the development around Rio Tinto Stadium on the super block. Third is the transit-oriented development around the 100th South Trax Station. Fourth is the property just north of 114th South between the freeway and State Street. This property will become ripe for development with the completion of the new freeway on and off ramp. The RDA budget has funding to support these projects and we may yet come to you with budget issues during the year as these projects progress.

Highly Qualified and Motivated Workforce – The citizen survey mentioned earlier was especially complimentary of city employees. Indeed, our employees have performed remarkably during a time that we have had to cut back. In acknowledgment of their efforts, this budget addresses some compensation issues.

First, this budget includes funding for a performance pay increase of 2%. This will increase the base pay of employees below the top of the salary range. Performance pay is the way employees move within their range. Those employees at the top of their pay range will be eligible for an equivalent one-time incentive payment. Savings from employees that retired or otherwise terminated and were replaced by employees lower in the pay range more than offset the cost of this 2% performance pay increase.

Second, \$110,000 was used to pay the increase in public safety retirement rates. The Utah Retirement System (URS) rates are increasing due to investment losses. Retirement reform was a major issue in this year's legislative session. The city has funded a 17.95% retirement for employees. Sandy City has opted out of the Social Security system and uses the 6.2% that it otherwise would pay in FICA to help fund this amount. Since the URS rate for employees in the public safety system exceed 17.95%, these employees do not get a 401(k) contribution but the city picks up any rate increase. Rate increases for

those in the public employees and firefighters system don't result in an increase to the city but rather reduce the contribution to the employees 401(k).

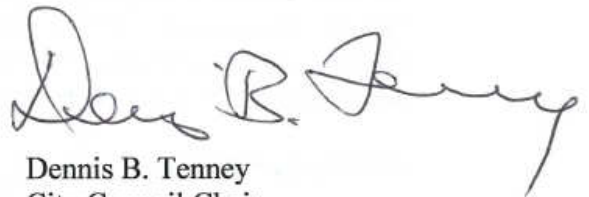
Third, this budget includes funding for increases in health costs. Health claims from city employees have remained high due to a small number of unusually costly claims. The result was a 15% increase in premiums. We have found that our employees respond well when they are more involved as consumers of health care. We propose moving employees to health insurance products that qualify as high deductible plans under the federal guidelines which qualify employees to establish health savings accounts (HSA). By so doing, we were able to reduce the cost of the insurance plans. The proposal is to provide a medical and dental allowance to each employee of \$11,000 annually for an employee with a family, \$8,000 for a couple, and \$5,000 if the employee is single. These amounts are sufficient for the employee to buy both medical and dental insurance and have money left over to put into an HSA which the employee could use to pay tax-free for out of pocket expenses. The employee will be able to make additional contributions to the account up to \$3,050 for an individual and up to \$6,150 for a couple or family. Any amounts remaining in the account at the end of the year can accumulate.

In conclusion, we feel we are poised to take advantage of opportunities as we emerge from this economic downturn. Together with you, our employees, and the businesses of our fine City we will continue to progress toward a bright future.

Respectfully,



Thomas M. Dolan
Mayor



Dennis B. Tenney
City Council Chair



Byron D. Jorgenson
Chief Administrative Officer